

Lease No.: 8978**County: Valley****Lessee: Anna Nyquist Ranch LLP****High Bidder: John Nyquist**

Hearing Time: Friday, April 23, 2010 @ 9:00 a.m.

Tracts: T31N R39E S1: Lots 1 & 2, S½NE¼, S½ - 480.06 Acres

T31N R39E S12: All – 640 Acres Acres

T31N R40E S6: Lots 1 – 7, SE¼NW¼, S½NE¼ - 367.89 Acres

T31N R40E S7: Lots 3 & 4, SE¼, E½SW¼ - 305.30 Acres

T32N R39E 25: All – 640 Acres

T32N R39E 36: All – 640 Acres

T32N R40E 30: All – 640 Acres

T32N R40E 31: All – 640 Acres

All Common School Grant

Grazing Acres: 4326.93

AUM Rating: 877

Ag (Crop) Acres: 11.5 Acres

High Bid: \$20.62 per AUM

Other Bids: None

Previous Rental: \$9.25 per AUM

Prevalent Community Rental Information:

State Land County Bid Averages: \$10.01 per AUM

MT Ag Statistics 2009 Private Lease Rate: \$18.00/AUM

Findings: Peter Nyquist, Jeff Nyquist, and Mary Nyquist appeared and testified on behalf of the Lessee Anna Nyquist Ranch, LLP. The High Bidder, John Nyquist, did not attend the hearing. Peter Nyquist testified that this tract of State grazing land had been managed by the Nyquist family since 1951, and it has been managed under a deferred three-pasture rest-rotation grazing management system since 1965. Under this system, only one of three pastures is grazed during the growing season of May 15th to July 1st. The lessee typically runs cow-calf pairs upon this land.

Continuous grazing practices consist of unrestricted livestock access to any part of the range during the entire grazing season. Typically, under this management practice, Livestock utilize the most desirable forage first and Livestock distribution can be poor, especially in larger pastures. Severe overgrazing can occur where cattle congregate, leaving other areas under-utilized. By contrast, rest-rotation grazing management systems are usually designed to improve livestock distribution while also giving range forage plants time to recover from grazing by livestock. Once a portion of the plant is grazed, time is required for plants to regain their vigor through build-up of carbohydrate reserves. Rest-

rotation management allows plants to rest after intense grazing by moving livestock among two or more pastures on a scheduled basis.

Peter Nyquist testified that he is interested in increasing the productivity of this tract by implementing a “twice-over” rest-rotation grazing system. This system usually rotates the livestock through three-to-five pastures. During the first grazing cycle, cool-season grasses are utilized before they become too mature and unpalatable. High quality vegetative re-growth forage is available during the second grazing cycle. Mr. Nyquist testified that twice-over rotation grazing stimulates plant growth while also allowing for a long period of rest during the important period in plant development when carbohydrate root reserves are being used for spring growth. A series of four monitoring stations would be established to determine when to move livestock and to track the quality of the forage throughout time.

Peter Nyquist stated that he is interested in developing more water for livestock upon the lease, and that there is potential either for development of an existing well or a spring upon this tract. Peter Nyquist testified that weeds are not a concern upon this tract, which is confirmed by the field evaluation report.

Peter Nyquist noted that other leases in the area provided similar forage at \$18.00/AUM, but that the Lessor also provided water development and fencing. The State doesn’t provide water development and fencing in its grazing leases. Mr. Nyquist cited a 1998 study that determined that the cost of fencing and water development in terms of dollars per Animal Unit Month was equal to \$2.82/AUM for fencing, and \$1.02 for water development. Given this, Mr. Nyquist stated that the prevailing community standard for leases of this type should reflect these input costs imposed upon the Lessee. The High Bid of \$20.62 exceeds the prevailing community standard and would result in long-term damage to the productivity of the State lands if implemented.

Recommendation: The Director recommends that the Board issue the next term of this lease to the Anna Nyquist Ranch, LLP, as the best-qualified Lessee, and that the Board set the rental rate for this lease at the rate of \$15.00/AUM, which reflects the prevailing community standard for leases of this type. The lessee will be required to complete the spring development within the first two years of the lease term. Also, it shall be a condition of the lease that the lessee annually report livestock numbers and the period of livestock use upon the lease premises.